



MSFT, META, TSLA, IBM, AAPL

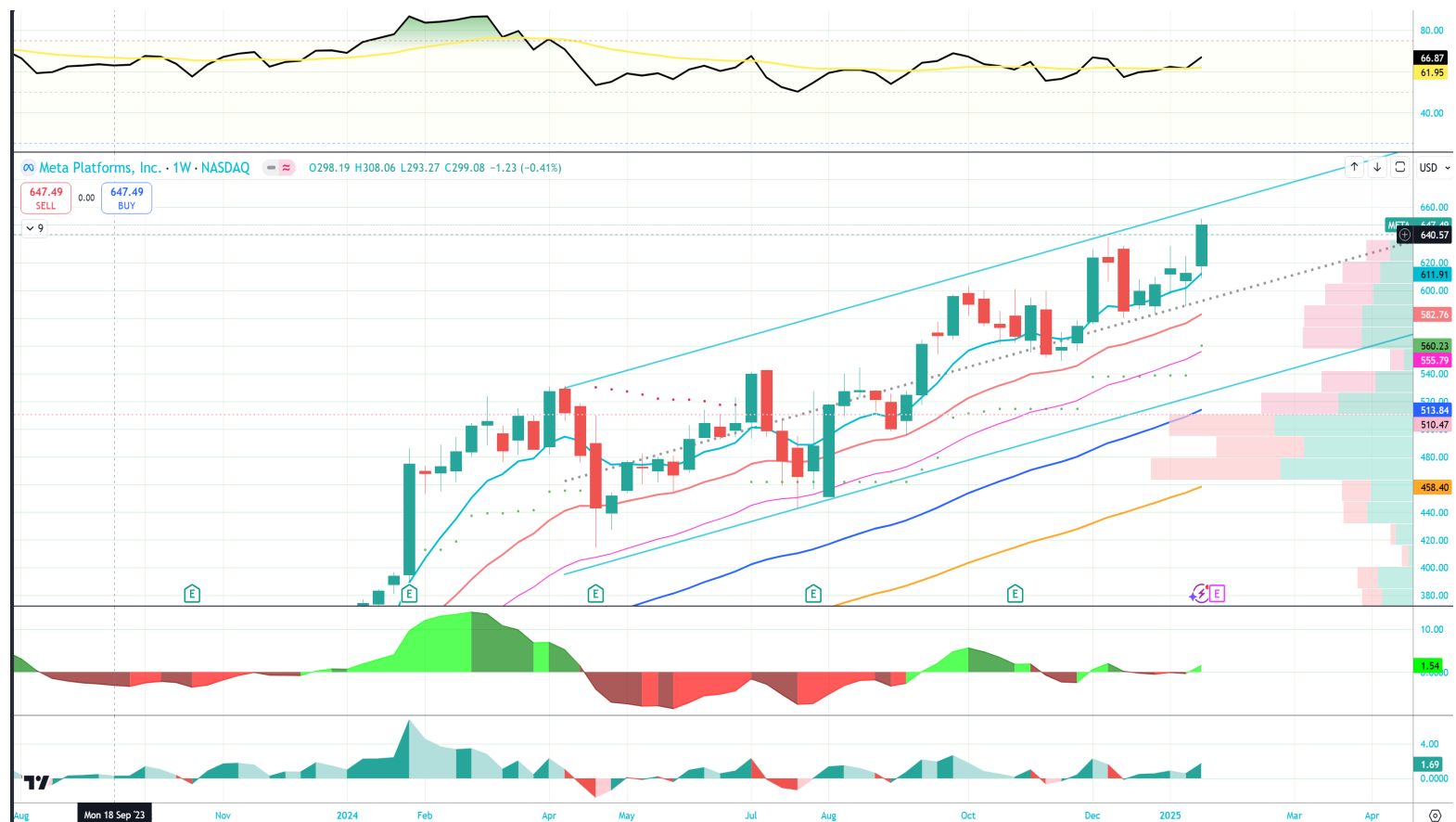
Microsoft (MSFT) will announce results 1/29 after the close with the Street expecting \$3.13 EPS and \$68.82B in Revenues (+11%) while Q3/FY25 seen at \$3.17/\$69.8B and \$13.02/\$278.5B implying 13.6% topline growth and 10.35% EPS growth for 2025, a bit of deceleration from 2024. MSFT shares have closed lower three of the last four reports with a six-quarter average max move of 4.1%. MSFT develops and supports software, services, devices and solutions worldwide. The Productivity and Business Processes segment offers office, exchange, SharePoint, Microsoft Teams, office 365 Security and Compliance, Microsoft viva, and Microsoft 365 copilot; and office consumer services, such as Microsoft 365 consumer subscriptions, Office licensed on-premises, and other office services. The Intelligent Cloud segment offers server products and cloud services, such as azure and other cloud services; SQL and windows server, visual studio, system center, and related client access licenses, as well as nuance and GitHub; and enterprise services including enterprise support services, industry solutions, and nuance professional services. MSFT also has its Windows PC segment, XBOX gaming segment with Activision, Bing, and Linked-In. Microsoft continues to represent a rare combination of strong secular positioning and reasonable profitability-based valuation within the software space. Microsoft is well positioned to double its \$60B+ commercial cloud business (Azure, Office 365, Dynamics, and LinkedIn Commercial) and Office 365 could potentially double its installed base from 255M+ to 500M given the massive number of knowledge workers worldwide. Alignment to key secular trends and benefits from vendor consolidation point to continued share gains. MSFT has a market cap of \$3.3 trillion and trades 29.4X Earnings, 21.5X EBITDA, 11.6X EV/Sales and 45.45X FCF putting valuation in the 90th percentile of the 10-year range. Microsoft maintains its lead as the #1 share gainer of IT wallet as a result of shift to the cloud on both a 1-year and 3-year view in MSCO's latest CIO survey. Investor sentiment has shifted negative as a 'wall of worry' around Gross Margins, Capex, GenAI monetization and the OpenAI relationship builds. Meeting buy-side expectations for 32-33% cc Azure growth in Q2 and instilling more confidence in a looming F2H acceleration remain the key catalysts for shares. MSFT will face some FX headwinds from the strong USD. Meeting buy-side expectations for 32-33% cc Azure growth in Q2 and instilling more confidence in a looming F2H acceleration remain the key catalysts for shares. IDC reported preliminary Q4 PC shipment growth of +1.8% y/y, slightly better than 1.2% heading into the quarter. Analysts have an average target of \$510 and short interest is low at 0.8% of the float. BAML rates MSFT a Top Pick with a \$510 target on the return of Azure capex and accelerating AI contributions to the core business. Loop Capital out last week citing positive channel checks for Azure. Wells sees any clearing of AI capacity debate and clarity on Azure re-acceleration as likely to unlock more significant second half of the year upside. On the chart MSFT has seen a recent move to bull signals on weekly RSI and MACD and upper monthly value at \$452 in focus to clear for a potential push to extension targets \$485-\$500. I see \$433 and \$425 as key post-earnings support levels. MSFT options are pricing in a 3% move and 30-day IV Skew at +1.6 compares to the +1.5 52-week average. MSFT put/call open interest ratio is at the 14th percentile and average IV30 crush -23.7%. MSFT last week with 12,000 Dec. \$405 puts sold to open and on 1/14 a massive buyer in May \$460 calls 15,000X. MSFT has short call OI at the March \$465 strike 15,000X while a buyer 12/4 of 5000 June \$460 calls for \$14M in OI. MSFT march \$460 calls bought 10,000X on 8/20 and added another 10,000 on 9/13.

Trade to Consider: Long **MSFT** Jan. 31st (W) / March \$465 Call Calendar at \$5 Debit



Meta Platforms (META) will announce results 1/29 after the close with the Street looking for \$6.73 EPS and \$46.97B in Revenues (+17.1%) while Q1/FY25 seen at \$5.38/\$41.68B and \$25.44/\$186.47B implying 14.4% topline growth and 12.2% EPS growth, decelerating from growth rates seen in 2024. META shares have closed lower three of the last five reports with a six-quarter average max move of 11.78% and the last three Q4 reports have seen very volatile moves, the last two higher. META operates in two segments, Family of Apps and Reality Labs. Facebook, Messenger, Instagram, WhatsApp are key units. The Reality Labs segment provides augmented and virtual reality related products comprising consumer hardware, software, and content that help people feel connected, anytime, and anywhere. The monetization ramp in WhatsApp, Messenger, and Reels is a reason for optimism. Engagement is growing with AI Content Discovery and Reels leading the way and monetization is improving. META expanded its AI partnership with MSFT and distribution through AWS & HuggingFace, which should drive more developer adoption, improve META's innovation feedback loop, and ultimately accelerate META's AI-based innovation on its core applications. META has a market cap of \$1.6 trillion and trades 25.5X Earnings, 14.6X EBITDA, 9X EV/Sales and 31.3X FCF putting valuation around the 60th percentile of the ten-year range. For shorter-term investors, any '25 ad revenue uptick from AI, margin impact from higher depreciation, & pipeline of new AI capabilities (content & ad creation tools, Meta AI rollout, automated messaging, & coding cost savings) are in focus. CEO Mark Zuckerberg announced that the company intends to spend \$60B-\$65B in capital expenditures for the year. Analysts have an average target of \$670 and short interest is low at 1% of the float. BAML raised its target to \$710 into the quarter. Raymond James raised its target to \$725 saying the year ahead marks a crucial moment for GenAI commercialization as capital expenditure concerns could be mitigated as assistant-oriented use cases quickly develop into more agentic flows across consumer and enterprise software and HardTech applications. Wolfe raised its target to \$730. On the chart, META broke out of a weekly bull flag last week that measures to a \$700 target. META has support levels at \$620 and \$600 on weakness. META options are pricing in a 5.25% earnings move and 30-day IV Skew at +1.6 compares to the +1.5 52-week average. META put/call open interest ratio at the 63rd percentile and average IV30 crush is -26.2%. META has seen buyers accumulate 12,000 March \$700 calls and 6000 April \$700 calls while also seeing size buys in February \$600 and March \$640 calls.

Trade to Consider: Long **META** April \$670/\$700 Call Spreads at \$10 Debit



Tesla (TSLA) is set to report earnings 1/29 after the close with the Street consensus at \$0.77 EPS and \$27.1B in Revenues (+7.8%) while Q1/FY25 are seen at \$0.71/\$25.7B and \$3.26/\$115.8B implying 16.35% topline growth and 31.45% EPS growth in 2025. TSLA shares closed sharply higher last report after being lower five of the previous six, a six-quarter average max move of 14.3% and shares lower three of the last four Q4 reports. Tesla develops, manufactures, leases, and sells electric vehicles, and energy generation and storage systems. Tesla has maintained a dominant market share in EVs though has steadily lost market share. Tesla Energy has been the bright spot and there remains optimism for RoboTaxi and other Robotics and AI applications. Tesla has a \$1.3 trillion market cap and trades 123X Earnings, 65X EBITDA, 11.7X EV/Sales and 360X FCF, insane valuation though P/E and EV/EBITDA percentiles around the 60th for a 10-year view given a shift to better profitability. Buy-side expectations for 4Q gross auto margin is in the 15% range. More attention will be paid to comments on the outlook including a reiteration of the 20 to 30% FY24 delivery growth target, Model Y 'Juniper' ramp, FSD rate of change, AI infrastructure expansion, Cybercab deployment targets, Optimus milestones, and a potential deep-dive 'AI Day.' Buy-side expectations on FY25 volume growth are closer to 10% than 20% given pressures on the EV market, China competition, decelerating Cybertruck volumes and expectations of eliminated/repealed EV tax incentives. Analysts have an average target of \$320 and short interest is low at 2.1% of the float. Wedbush sees a \$2 trillion Tesla value by the end of the year and has a \$550 target on growing confidence in demand for 2025 and sees the Trump Admin as a game changer for the autonomous and artificial intelligence story for Tesla over the coming years. Piper raised its target to \$500 recently also positive on the AI upside story emerging. On the chart, TSLA has lost some momentum and a bear 8/21 daily cross last week as VPOC resistance held at \$427. TSLA has a key AVWAP support at \$380 and than the 21-wee at \$343 in focus. A move above \$430 targets \$450 and then look towards the eventual 1.382 Fibonacci extension target at \$531.75. TSLA options are pricing in a 5.75% earnings move and 30-day IV Skew at -3.2 remains bullish inverted and compares to the -0.4 52-week average. TSLA put/call open interest ratio is at the 61st percentile and average IV30 crush is -14.25%. TSLA large call buys remain in March \$400 and \$450 strikes and 12,000 April \$500 calls. TSLA also with 4500 August \$800 calls bought 1/10 remain in OI and has seen some size January 700/800 call spreads buy. Key large put sales have been seen at June \$420, April \$405 and \$400 and March \$375 strikes.

Trade to Consider: Long **TSLA** Jan. 31st (W) \$430/\$480 Call Spreads at \$8 Debits



IBM (IBM) will release quarterly results 1/29 after the close with the Street view at \$3.77 EPS and \$17.57B in Revenues (+1.1%) while Q1/FY25 seen at \$1.58/\$14.63B and \$10.69/\$65.57B implying 4.4% topline growth and 4.8% EPS growth for 2025. IBM shares have closed lower two of the last three reports after being higher the previous four, a six-quarter average max move of 7.65%. IBM operates through Software, Consulting, Infrastructure, and Financing segments. The Software segment offers a hybrid cloud and AI platforms that allows clients to realize their digital and AI transformations across the applications, data, and environments in which they operate. The Consulting segment focuses on skills integration for strategy, experience, technology, and operations by domain and industry. The Infrastructure segment provides on-premises and cloud based server, and storage solutions, as well as life-cycle services for hybrid cloud infrastructure deployment. IBM is taking the proper steps to align its portfolio with the strategic priorities of hybrid cloud, AI/automation, security, and quantum. IBM could benefit from the recent data showing stabilization in PCs finally and has seen some allure as a cheap way to play AI. Software and Consulting remain key growth vectors. Consulting revenues benefit from strong signings and secular demand for hybrid cloud and AI, and leverage from strategic partnerships. Hardware can benefit from a new mainframe cycle in 2025. IBM has a Market cap of \$208B and trades 21X Earnings, 14.5X EBITDA, 4X EV/Sales and 16.6X FCF with a 3% dividend yield, valuation near the 99th percentile across the board on a ten-year view. IBM disappointed last quarter as more cautious Consulting commentary creates a bit more of a 2H-loaded 2025 story. IBM will likely face FX pressures this quarter and has an Investor Day 2-4. Analysts have an average target of \$221 and short interest is low at 2.4% of the float. BAML raised its target to \$260 seeing a continued turnaround in the defensive name. On the chart, IBM in a narrow basing range for weeks and the rising 21-week EMA has been supportive. A move below \$222 threatens a dip back to \$202.50 AVWAP support from April lows. IBM above \$228 can target the \$233 level. IBM options are pricing in a 3.6% earnings move and 30-day IV Skew at -0.5 is bullish inverted and compares to the +0.3 52-week average. IBM put/call open interest ratio is at the 7th percentile and average IV30 crush is -30.7%. IBM has seen mixed flows overall.

Trade to Consider: Long the **IBM** Jan. 31st (W) \$220/\$210/\$200 Put Butterfly at \$1.60 Debit



Apple (AAPL) will announce earnings 1/30 after the close with the Street looking for \$2.35 EPS and \$124B in Revenues (+3.7%) with Q2/FY25 seen at \$1.66/\$95.55B and \$7.40/\$412.4B implying 5.45% topline growth and 9.6% EPS growth in 2025. AAPL shares closed lower last report after being higher the previous two but overall lower four of the last six with an average max move of just 4.2%. Apple designs, manufactures, and markets smartphones, personal computers, tablets, wearables, and accessories worldwide. Apple's industry-leading retention rates and expanding ecosystem of hardware and services has already created one of the world's most valuable technology platforms that centralizes and controls everything from traditional communication to entertainment, social media engagement, photo & video development, gaming, business, payments, travel, fitness, and more. Given Apple has stopped disclosing unit volumes for its products investors should be increasingly focused on ARPU trends. The Apple business model is shifting from one that maximizes hardware shipment growth to one that maximizes installed base monetization, underscored by increased services and installed base disclosures, and a move away from reporting units and ASPs. If Apple were to monetize advertising beyond the App Store, it could potentially be a \$20B business by 2026. Apple enters a multi-year iPhone upgrade cycle driven by need for the latest hardware to enable Generative AI features to be introduced in 2024/2025. Services has been the key to growth as a higher margin mix and as the installed base continued to grow. Apple continues to drive upside from Services with the ever-expanding ecosystem while also a capital return heavyweight. Apple is very early in its AI journey and a long-term upgrade cycle for AI phones. AAPL with a \$3.35 trillion market cap trades 27.1X Earnings, 22.9X EBITDA, 8X EV/Sales and 30.8X FCF which puts it in the 99th percentile across all valuation metrics on a ten-year view. iPhone demand remains muted and FX remains a headwind with expectations now for a guide-down for the March quarter likely embedded in shares with recent price weakness. Services growth and gross margin will be bright spots at earnings, while Product growth likely decelerates from Dec Q to March Q. Recent data on developer revenues indicates that App Store revenue grew 15% y/y in F1Q25. Analysts have an average target of \$245 and short interest low at 1% of the float. MSCO notes the setup into December '25 quarter earnings feels similar to a year ago when Apple posted a better-than-expected F1Q but guided F2Q revenue 6% below Street, a setup that was anticipated by the buy-side, but still resulted in 3 incremental months of underperformance until a better-than-expected June Q guide (in early May) finally drove an inflection in the stock. MSCO is looking to (1) the iPhone SE 4 launch in March, (2) the release of iOS 18.4 in April, and (3) an eventual cloud/AI partnership announcement in China (timing TBD) as more critical catalysts to potentially drive an inflection in the stock from here. Jefferies recently cut shares to Underperform with a \$200.75 target on weak iPhone sales. Evercore calling AAPL a Tactical Outperform as positioned to deliver an in-line quarter with continued emerging market growth and strength from Services and Wearables. BAML notes weaker iPhone sales are well understood by investors, and we reiterate our Buy rating on margin resiliency, tailwinds to gross margin, and strong cash flow. Investors will likely soon shift focus to WWDC, increased AI partnerships (Gemini, etc), launch of iPhone 17. On the chart, AAPL has seen recent weakness but near a key \$217 AVWAP support off the April 2024 lows while \$212 a 50% retracement level and stronger volume node support exists at \$198.5. AAPL needs to clear \$225 for upside to make a push back to \$240. AAPL options are pricing in a 2.9% earnings move and 30-day IV Skew at +0.9 compares to the +1.9 52-week average. AAPL put/call open interest ratio is at the 20th percentile and average IV30 crush is -21.7%. AAPL recently with large sales in June and Dec. 2026 \$240 strike calls but the June 2026 \$200 calls bought size on Friday. AAPL also recent opening seller in Oct. \$220 and \$200 puts 1000X and size buys sit in February \$225 and \$230 strike calls as well as recent April \$240 calls. AAPL's largest position in May \$255 calls 25,000 bought on 1/14 and March \$210 calls 12,500 bought on 1/14.

Trade to Consider: Long **AAPL** Jan. 31st (W) \$225/\$235/\$245 Call Butterfly at \$2 Debit



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